



State of Utah
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

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September 24, 2002

William Wilson
Basin Perlite
533 South Industrial Loop Road
P. O. Box 490
Milford, Utah 84751

Re: Preliminary Analysis and Findings for the Termination of Jurisdiction of UOGM
Regulation of the Pearl Queen Perlite Mill, Basin Perlite Co., Pearl Queen Perlite Mine
(M/001/027), Pearl Queen Perlite Mill (S/001/043), Beaver County, Utah

Dear Mr. Wilson:

Basin Perlite Co. operates, and this Division currently regulates, two facilities in Beaver County. The Pearl Queen Perlite Mine, located approximately 10 miles north of Milford, is permitted and bonded as a large mine operation, M/001/027. The mine is a 25.16-acre site that extracts perlite from state and federal leases. The current reclamation bond posted for this site is \$133,600, in the form of a surety bond. The second facility, the Pearl Queen Perlite Mill, is a perlite expander processing facility, or mill site, located approximately 10 miles southwest of the mine, in Milford. This site was permitted by the Minerals Regulatory Program (MRP) as S/001/043, April 17, 1997. After a review of the facts of this plant site in relation to the MRP statute and rules, it is found by preliminary analysis to be exempt from regulation by the Utah Division of Oil, Gas and Mining, and jurisdiction is planned to be terminated by this Division upon amendment or revision to the mine plan, M/001/027.

On June 7, 2002, Basin Perlite submitted some additional information to the Division proposing to amend the Basin Perlite Pearl Queen Mine M/001/027 plan, and to aid in our analysis of the Basin Perlite Mill S/001/043 regulation. We have taken this, and other information and materials, and performed a preliminary analysis of the regulation of the mill. At this time, it appears reasonable to make the finding that the Division will terminate its jurisdiction over the mill, pending requested requisite changes to the mine plan as discussed further below. The Division's review takes into account the governing statute and rules under the MRP and the resultant ambiguity in regard to regulation of mills that are not co-located with a mine operation. The statute indicates a concern for a sustainable post mining land use regardless of the type or nature of the mining disturbance and thus the preliminary analysis

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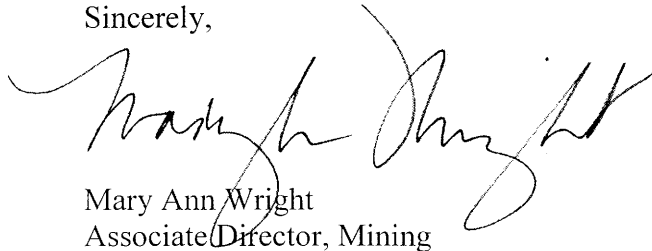
Page 2
William Wilson
M/001/027 & S/001/043
September 24, 2002

evaluates the Pearl Queen Perlite Mill by virtue of the activities and interim and final impacts to the environment.

So that we may continue our dealings with this issue, please submit the type of language change as proposed in your June 7, 2002 letter, to Appendix III, Paragraph F, with further specificity as determined by the Minerals Program representatives. Also, the Division is taking another look at the bond and proposed amount and will advise you accordingly.

Thank you for your patience in this process as we work our way through the analysis and review.

Sincerely,

A handwritten signature in black ink, appearing to read "Mary Ann Wright", is written over the typed name and title.

Mary Ann Wright
Associate Director, Mining

jb
cc: Greg Fredde, UMA
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